

Rewald Bankruptcy Case Gets Key Hearing Today

By Charles Memminger
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Attorneys in the Ronald R. Rewald case were to square off in federal court today in a significant legal skirmish to determine if Rewald's company actually is bankrupt or not.

Interim bankruptcy trustee Thomas Hayes, after reviewing the company records for several weeks, believes there is no question that the company does not have the money needed to pay back creditors.

But Rewald's attorney, Robert Smith, contends there are enough questions about the solvency of the company and the circumstances surrounding its downfall to merit a jury trial.

It will be up to U.S. Judge Martin Pence to decide if there will be a trial or if the involuntary bankruptcy will continue and a permanent trustee will be appointed, as requested by creditors.

Also to be decided is Smith's request that some of Rewald's frozen assets be released to pay attorneys fees in both his criminal and civil cases.

HAYES AND his attorneys, Don Jeffrey Gelber and James Wagner, are steadfastly opposed to releasing any of Rewald's money for his defense. Gelber laid out their reasoning in a strongly worded memorandum that included a quotation by a British defense minister on the issue of the Falkland Islands invasion: "The burglar must not be allowed to keep the spoils."

He said there has been a strong showing that "Mr. Rewald systematically looted" Bishop, Baldwin, Rewald, Dillingham & Wong, that "He should not now be allowed to use those funds for his personal benefit — especially to gain control of the corporation's remaining assets and to defend his own corporate wrongdoing."

Gelber also attacked Smith's proposal to use classified materials in Rewald's defense, this time using a quotation from Samuel Johnson: "Patriotism is the last refuge of a scoundrel."

SMITH WAS to ask Pence at today's proceeding to allow him access to classified documents previously sealed by the court and to use a confidential affidavit filed by Rewald.

Gelber said in his memorandum that he doubted if any "secret papers" would have a bearing on the bankruptcy.

"When the Rewald fraud was unmasked, many . . . depositors demanded their money back," he said. "The money wasn't there and the creditors weren't paid. No secret affidavit can alter that fact."

Gelber went on to say that Rewald "is attempting to hide the bankruptcy of his company and

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his own highly questionable conduct in a cloak of secrecy."

The involvement of classified documents in the Rewald case and Rewald's hazy connection to the CIA have been intriguing aspects of the case.

DESPITE the fact that the former head of the CIA office here, Jack Kindschi, was one of Rewald's consultants and Rewald's claims to other consultants that he had some relationship to the CIA, the allegation was dismissed by investigators on the case. But after some "classified" documents were found in Rewald's company files by CIA agents sent from Washington, D.C., officials con-

ceded that Rewald may have been a "bit player" for the CIA.

Rewald's attorney has pointed out, as did Rewald in an affidavit filed last week, that Rewald has made no public claim that he has any relationship with the CIA.

"My only position thus far has been one of no comment to anyone in this regard," Rewald said.

It is ironic, however, that his attorney now is asking that Rewald's own classified affidavit and other material under court seal be allowed to be used in Rewald's defense.

The presence of CIA-related documents has created some confusion in court by the government officials who want to keep them under seal. Anticipating Smith's filing of more classified material last week, assistant U.S. Attorney John Peyton sought and was granted an order by Pence sealing any documents mentioning the CIA. Federal court clerks, however, said they did not have time to scan each document filed and said they would seal all documents related to the Rewald case and let the court sort it out.

Pence amended his ruling yesterday putting the burden of having appropriate documents sealed on the attorneys filing them.